

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7413

BILL NUMBER: HB 1436

NOTE PREPARED: Jan 14, 2013

BILL AMENDED:

SUBJECT: Prosecuting Attorneys' Pension.

FIRST AUTHOR: Rep. Niezgodski

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill establishes the amount of the Public Employees' Retirement Fund (PERF) pension offset for a member (and the surviving spouse and dependent child of a member) in the Prosecuting Attorneys' Retirement Fund (PARF) who is also a member of PERF's Defined Contribution Plan (PERF DC Plan).

Effective Date: July 1, 2013.

Explanation of State Expenditures: The bill does not result in a cost at this time, as there are currently no PARF members who are also members in the PERF DC Plan. Currently, there are instances where PARF members are also members of the standard PERF hybrid pension system. However, no individuals currently belong to PARF and the PERF DC Plan due to the fact that the PERF DC Plan is not yet operational. INPRS anticipates that the PERF DC Plan will be effective in March 2013.

The PERF DC Plan is comprised solely of an annuity savings account plan and enrollment in this plan is voluntary on the part of new state employees after March 2013. This is unlike the standard PERF hybrid pension/annuity savings account plan.

The changes in the bill make the pension offset the same for members of the PERF DC Plan as for members of PERF, in the event that the member is also a member of PARF. In the future, as members meeting this definition occur, at retirement these individuals will retire (assuming full vesting in both plans) from both the PERF DC Plan and PARF. At that time, the Indiana Public Retirement System (INPRS) will calculate what the pension benefits would have been for the PERF DC Plan member, had they opted to become a member of

PERF instead of the PERF DC Plan and had retired from PERF on the date of the member's retirement from PARF. The member's PARF pension benefits will then be reduced by this amount. The bill's requirements are within the INPRS routine administrative functions.

Background: PERF DC Plan - An individual who, on or after the effective date of the PERF DC Plan, becomes a full-time employee of the state for the first time and would otherwise be eligible for membership in PERF, may instead elect to become a member of the PERF DC Plan. The state's employer contribution rate for the PERF DC Plan is equal to the state's employer contribution rate for PERF (9.7% as of July 1, 2012). In addition, the state also pays the employer contribution of 3% on behalf of the employee.

PARF Pension Benefit Offset - PARF members who are also members of PERF have their pension benefit reduced by the amount of the employer-financed pension benefit that would be payable to the member had the member retired from PERF on the date of the member's retirement from PARF. However, the benefits payable to a member from PARF are not reduced by any payments made to the member from the member's PERF annuity savings account. If benefits payable from PERF exceed the benefits payable from PARF, the member may, at retirement, withdraw from PARF the total sum contributed by the member plus interest at a rate specified by the INPRS board. These individuals will receive a separate PERF pension in addition to the offset PARF pension.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Public Retirement System.

Local Agencies Affected:

Information Sources: *Indiana Pension Handbook*; Allison Karns, INPRS, akarns@inprs.in.gov.

Fiscal Analyst: Stephanie Wells, 232-9866.

Definitions: Annuity Savings Account - An Annuity Savings Account (ASA) is a defined contribution retirement plan that consists of mandatory and voluntary contributions. Employees are required to pay 3% of their pay towards the ASA, although this contribution is covered by the state in the case of state employees. Investment gains and losses are credited to a member's account and there are no vesting requirements (although you may not receive a distribution from the ASA while employed in a PERF covered position).